



DEPARTMENT OF  
**COMMERCE**  
COMMUNITY AND  
ECONOMIC DEVELOPMENT

Regulatory Commission of Alaska

*Sean Parnell, Governor*  
*Emil Notti, Commissioner*  
*Robert M. Pickett, Chairman*

January 8, 2010

In reply refer to: Finance Section  
File: PC88-1109  
LO#: L0900642

Scott E. Newlun  
General Manager  
Yakutat, City of  
P.O. Box 129  
Yakutat, AK 99689

Dear Mr. Newlun:

On January 7, 2010, the Commission approved updated **Permanent** PCE levels in cents per kilowatt-hour (¢/kWh) for Yakutat, City of (YPI), for the listed classes of customers as follows:

R1 0-1,000 kWh	26.91¢
R2 0-Over 1,000 kWh	24.95¢
R3 0-Over 2,500 kWh	21.45¢

The revised PCE levels are due to Commission approval of YPI's Annual Update submitted on December 10, 2009. The new PCE levels are effective for billings rendered after January 7, 2010. For your reference, copies of the Commission Staff's recommendations and schedules are attached as an Appendix.

The Commission reminds YPI of its continued obligation under the PCE legislation to provide its customers with the notice specified in AS 42.45.120 or similar notice approved by the Alaska Energy Authority.

The Commission also reminds YPI of its obligation under 3 AAC 52.620 and 3 AAC 52.640 to notify the Commission of any change in its rates, surcharges, and/or efficiency of operation and advises YPI that failure to comply with those requirements could jeopardize its continued participation in the program.

Letter Order-YPI  
Page 2 of 2  
January 8, 2010

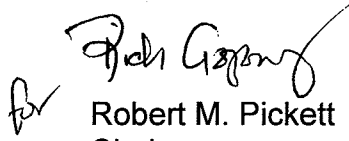
If YPI believes that the calculation used to establish the PCE level in this Letter Order is incorrect, it should seek reconsideration setting forth why it believes the calculation is in error. Any reconsideration request must be submitted within 15 days of the date of this Letter Order.

If you have any questions regarding the calculation of PCE levels, please contact Utility Financial Analyst John White at (907) 276-6222.

BY DIRECTION OF THE COMMISSION

Sincerely,

REGULATORY COMMISSION OF ALASKA

  
Robert M. Pickett  
Chairman

cc: Jeffery Williams, Alaska Energy Authority

# STATE OF ALASKA

**DEPARTMENT OF COMMERCE,  
COMMUNITY & ECONOMIC DEVELOPMENT  
REGULATORY COMMISSION OF ALASKA**

**SEAN PARNELL, GOVERNOR**

701 WEST EIGHT AVENUE, SUITE 300  
ANCHORAGE, ALASKA 99501-3469  
PHONE: (907) 276-6222  
FAX: (907) 276-0160  
TTY: (907) 276-4533  
WEBSITE: <http://rca.alaska.gov>

DATE: January 8, 2010

INVOICE#: 88-1109

DATE DUE: February 7, 2010

Scott Newlun  
General Manager  
Yakutat, City of  
P.O. Box 129  
Yakutat, AK 99689

Fee for Commission Staff analysis and recommendations Re:

**FILE #: PC88-1109  
LO #: L0900642**

**Annual Update** under the Power Cost Equalization Program

Amount Due :	<u>\$ 471</u>
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TOTAL AMOUNT DUE:	<u>\$ 471</u>
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MAKE CHECK PAYABLE TO: **STATE OF ALASKA**

PLEASE REMIT CHECK AND COPY OF THIS INVOICE TO:

**REGULATORY COMMISSION OF ALASKA  
701 W. 8<sup>TH</sup> AVE., SUITE 300  
ANCHORAGE, AK 99501-3469**

If you have any questions, please contact Joyce McGowan at (907) 263-2132 or  
[joyce.mcgowan@alaska.gov](mailto:joyce.mcgowan@alaska.gov).

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**Yakutat, City of**

**FILE #: PC88-1109**

**Amount Due: \$ 471**

**LO #: L0900642**

**Check Number** \_\_\_\_\_

Please tear along dotted line and submit payment with bottom portion. Thank you.

# UNREGULATED UTILITY POWER COST EQUALIZATION MEMORANDUM

Date: January 7, 2010

Date Due: November 30, 2009

File No.: PC88-1109

Date Filed: December 13, 2009

Name of Utility: Yakutat, City of

Cert. No. 53

- ☒ Annual Update  
☐ Fuel Cost Update  
☐ Base Rate Change  
☐ Other \_\_\_\_\_

- ☐ COPA Review  
☐ Non-Fuel Cost Change  
☐ kWh Sales Change

**STAFF RECOMMENDATIONS:**

Approval of updated **Permanent** PCE levels. (see attached memo)

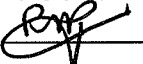
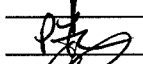
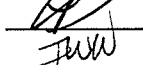
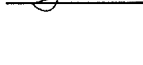
PCE LEVEL SUMMARY	Previously Approved	Staff Recommended
<u>Date Approved:</u> November 20, 2009		
PCE LEVELS (In Cents/kWh)		
R1 0 to 1,000 kWh	20.76¢	26.91¢
R2 0 - over 1,000 kWh	20.76¢	24.95¢
R3 0 - over 2,500 kWh	20.76¢	21.45¢

Signed: Kevin AufDerHeide



Utility Financial Analyst

Commission decision re. this recommendation :

	Date (if different from 1/7/10)	I Concur	I Do Not Concur	I Will Write A Dissenting Statement *
Pickett	_____		_____	_____
Giard	_____		_____	_____
Lisankie	_____		_____	_____
Price	_____		_____	_____
Wilson	_____	_____	_____	_____

**Special Instructions to Staff:**

\* If this column is initialed, Staff will contact the Commissioner for the statement, otherwise, dissent will simply be noted at the close of the By Direction Letter or Order.

## Memorandum

TO: Robert Pickett, Chairman  
Kate Giard  
Paul Lisankie  
Anthony Price  
Janis Wilson

DATE: January 7, 2010

FROM: Kevin AufDerHeide  
Utility Financial Analyst

RE: Yakutat, City of  
(YAKUTAT) PC88-1109

## Recommendations

1. The updated PCE levels should be effective for billings rendered after January 7, 2010.
2. Approval should be: ☒ Permanent ☐ Interim
- 1) Standard reminder language for notice specifications, efficiency, rate changes, and fuel cost updates should be included in the By Direction Letter to the utility.

## Background

Yakutat, City of (YAKUTAT) filed its annual update of eligible costs on December 10, 2009, for the test year ending June 30, 2009 (FY09). YAKUTAT provided audited financial statements in support of its PCE filing<sup>1</sup>. Staff's contact for this filing was Mr. Scott Newlun, Manager. Staff recommends acceptance of this filing with the following exceptions:

3 adjustments to non-fuel costs.

## Summary

After Staff's proposed adjustments, YAKUTAT's total costs per kiloWatt-hour (kWh) have increased by 6.47 cents (¢) from prior approved annual costs of 35.98¢/kWh to 42.45¢/kWh (FY09). The increase is largely due to an increase in non-fuel costs per kWh and, to a lesser degree, increased fuel costs per kWh due to decreased efficiency and an

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<sup>1</sup> Audited financial statements provide a reasonable level of assurance that reported costs are materially accurate and have been properly categorized. In addition, they help to minimize test work and bring efficiency to Staff's review.

increase in line loss. YAKUTAT's fuel efficiency has decreased from the prior test period level of 15.12 kWh/gallon to 14.83 kWh/gallon. Line losses increased from 7.99% in the prior test period to 10.15% in the current year test period. Staff's detailed analysis of this filing follows:

## Analysis

### Non-Fuel Costs

Total non-fuel costs reported increased by \$305,906 from prior approved costs of \$906,203 to \$1,212,109 (FY09). Staff reviewed YAKUTAT's non-fuel costs by category noting the following:

Personnel Expenses increased \$211,949 from \$464,000 to \$675,949 (FY09). YAKUTAT's audited financial statements supported the reported test balance. Additionally, Mr. Newlun provided, upon Staff request, a detailed listing of personnel expenses including payroll taxes, workers compensation, retirement, and health insurance expense amounts. Staff considers the test balance reasonable and recommends no adjustments.

Operating Expenses increased \$129,378 from \$46,338 to \$175,716 (FY09). YAKUTAT's audited financial statements supported the reported test balance. Staff considered this a significant increase and queried Mr. Newlun for an explanation. He provided information that showed these expenses were for all of the repairs and maintenance for their generation department, included in this amount were costs attributable to supplies, small tools, generator oil, filters, parts, plant maintenance, and generator repairs. Staff considers the explanation reasonable and recommends no adjustments.

General & Administrative Expenses increased \$3,076 from \$167,349 to \$170,425 (FY09). YAKUTAT's audited financial statements supported the test balance. Staff noted that \$8,041 of Office Rent Expense was reported in this category. Staff noted that this rental expense was recorded in the Nonoperating revenues and expenses section of the Statement of Revenues, Expenses, and Changes in Net Assets for Yakutat Power Enterprise Fund<sup>2</sup>. Therefore, Staff considers this rental expense as not appropriate for PCE reimbursement because it was not used nor was it useful in providing electrical service. Therefore Staff recommends **Adjustment 1** (Appendix 2) to reduce General and Administrative Expense by \$8,041, the amount attributable to the rental property expense.

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<sup>2</sup> The definition of Nonoperating revenues and expenses from the Notes to the Basic Financial Statements for the City and Borough of Yakutat, Alaska, states that a Proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operation. Additionally, they state that revenues or expenses that do not derive from the costs of sales and service, administrative expenses and depreciation on capital assets are nonoperating revenues or expenses.

Depreciation Expense decreased \$53,416 from \$203,373 to \$149,957 (FY09). YAKUTAT's audited financial statements supported the test balance. Staff noted that this depreciation expense included an amount of \$3,032 for rental depreciation and was recorded in the Nonoperating revenues and expenses section of the Statement of Revenues, Expenses, and Changes in Net Assets for Yakutat Power Enterprise Fund<sup>2</sup>. Therefore, Staff recommends **Adjustment 2** (Appendix 2) to reduce Depreciation Expense by \$3,032, the amount of interest expended for nonoperating activities.

Interest Expense decreased \$19,913 from \$59,975 to \$40,062 (FY09). YAKUTAT's audited financial statements support the reported test balance. Staff noted that this interest expense was recorded in the Nonoperating revenues and expenses section of the Statement of Revenues, Expenses, and Changes in Net Assets for Yakutat Power Enterprise Fund<sup>2</sup>. Therefore, Staff considers this interest expense as not appropriate for PCE reimbursement because it was not used nor was it useful in providing electrical service. Therefore, Staff recommends **Adjustment 3** (Appendix 2) to reduce Interest Expense by \$40,062, the amount of interest expended for nonoperating activities.

### **Fuel Costs**

YAKUTAT submitted its most recent fuel cost update on November 20, 2009. The fuel price change reflected a new price per gallon of \$3.0419 for 2,021.1 gallons purchased. Staff incorporated this data into the cost of fuel shown in **Appendix 2**.

# Yakutat, City of

APPENDIX 1

## POWER COST EQUALIZATION CALCULATION FOR THE 12 MONTHS ENDING JUNE 30, 2009 Annual Update

	PC88-1104KK	PC88-1109	
	Prior Commission Approval	Utility Request	Staff Recommended
A. kWh Generated	6,982,583	6,586,208	6,586,208
B. kWh Sold (Appendix 2)	6,424,954	5,917,919	5,917,919
C. Total Non-Fuel Costs (Appendix 2)	906,203	1,212,109	1,160,974
D. Non-Fuel Costs/kWh (C/B)	<b>\$0.1410</b>	<b>\$0.2048</b>	<b>\$0.1962</b>
E. Total Fuel Costs (Appendix 2)	1,405,209	1,351,036	1,351,036
F. Fuel Cost/kWh (E/B)	<b>\$0.2187</b>	<b>\$0.2283</b>	<b>\$0.2283</b>
G. Eligible Costs/kWh (D+F))	\$0.3598	\$0.4331	\$0.4245
H. Eligible Cost/kWh (F) less base rate in effect	\$0.2186	\$0.2919	\$0.2833
I. Lesser of (H) or 85.88 cents/kWh	\$0.2186	\$0.2919	\$0.2833
J. Average Class Rates			
R-1 0 -1,000 kWh	\$0.2745	\$0.2745	\$0.2745
R-2 1,001 - 2,500 kWh	\$0.2495	\$0.2495	\$0.2495
R-3 Over 2,500 kWh	\$0.2145	\$0.2145	\$0.2145
Class Power Cost Equalization Per kWh Payable			
K. Lesser of: (I) x 95% or (J)			
R-1 0 -1,000 kWh	\$0.2076	\$0.2745	\$0.2691
R-2 1,001 - 2,500 kWh	\$0.2076	\$0.2495	\$0.2495
R-3 Over 2,500 kWh	\$0.2076	\$0.2145	\$0.2145
L. Funding Level in Effect	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
R-1 0 -1,000 kWh	0.2076	0.2745	0.2691
R-2 1,001 - 2,500 kWh	0.2076	0.2495	0.2495
R-3 Over 2,500 kWh	0.2076	0.2145	0.2145



# Yakutat, City of

APPENDIX 2

## SCHEDULE OF ELIGIBLE POWER COSTS, SALES, AND EFFICIENCY FOR THE 12 MONTHS ENDING JUNE 30, 2009

### Annual Update

		PC88-1104KK		PC88-1109	
		Prior Commission Approval	Per Utility	Staff Adjustments	Per Staff
<b>Non-Fuel Costs:</b>					
A.	Personnel Costs	464,000	675,949	0	675,949
B.	Operating Expenses	46,338	175,716	0	175,716
C.	General & Administrative	167,349	170,425	ADJ#1 (8,041)	162,384
D.	Depreciation	203,373	149,957	ADJ#2 (3,032)	146,925
E.	Interest Expense	59,975	40,062	ADJ#3 (40,062)	0
F.	Other : Pole Rental to ACS	(34,832)	0	0	0
G.	Interest Income	0	0	0	0
<b>Total Non-Fuel Costs</b>		<b>\$906,203</b>	<b>\$1,212,109</b>	<b>(51,135)</b>	<b>\$1,160,974</b>
<b>Fuel Costs:</b>					
H.	Gallons Consumed	461,951	444,142		444,142
I.	Price of Fuel: (Actual Receipt)	\$3.0419	\$3.0419		\$3.0419
J.	<b>Total Cost of Fuel (J*K)</b>	<b>\$1,405,209</b>	<b>\$1,351,036</b>		<b>\$1,351,036</b>
K.	kWh Generated	6,982,583	6,586,208		6,586,208
L.	kWh Sold	6,424,954	5,917,919		5,917,919
M.	Efficiency (M / J)	≥ 12.50	15.12		14.83
N.	Line Loss	≤ 12%	7.99%		10.15%

PC88-1109  
Appendix 2

UTILITY NAME: **Yakutat, City of**  
**CALCULATION OF AVERAGE CLASS RATE PER kWh**

Surcharge : 0.1487

Rate Schedule: 1 to 1,000 kWh

(1) Block (by kWh)	(2) Rate (\$/kWh)	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - \$ 0.1412
0 to 1000	0.2670	0.1487	0.4157			0.2745
to						
to						
to						
<b>Total</b>						<b>0.2745</b>

Rate Schedule: If over 1,000 kWh and less than 2,501 kWh

(1) Block (by kWh)	(2) Rate (\$/kWh)	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - \$ 0.1412
0 to 2500	0.2420	0.1487	0.3907			0.2495
to						
to						
to						
<b>Total</b>						<b>0.2495</b>

Rate Schedule: If over 2,500 kWh

(1) Block (by kWh)	(2) Rate (\$/kWh)	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - \$ 0.1412
0 to over 2500	0.2070	0.1487	0.3557			0.2145
to						
to						
to						
<b>Total</b>						<b>0.2145</b>

Rate Schedule:

(1) Block (by kWh)	(2) Rate (\$/kWh)	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - \$ 0.1412
to						
to						
to						
<b>Total</b>						<b>0.0000</b>

PC88-1109  
KSA-1

	2002	2004	2009				
	Amended Expenses	Amended Expenses	Per Utility	Variance \$	%	Staff Adjustments	Amended Expenses
<b>Personnel Expenses</b>							
Total Wages	320,284	336,748	417,711	80,963	24.04%	0	417,711
Employer Portion of Payroll Taxes	24,502	25,741	33,922	8,181	31.78%	0	33,922
Workers' Compensation/Other	102,858	101,511	224,316	122,805	120.98%	0	224,316
<b>Total Personnel Expenses</b>	<b>443,440</b>	<b>464,000</b>	<b>675,949</b>	<b>211,949</b>	<b>45.68%</b>	<b>0</b>	<b>675,949</b>
<b>Operating Expenses</b>							
Generator Oil	16,120	0	0	0	0.00%	0	0
Generator Filters	6,811	0	0	0	0.00%	0	0
Generator Repairs/Maintenance	73,781	46,338	144,893	98,555	212.69%	0	144,893
Tools	0	0	0	0	0.00%	0	0
Equipment Rental	0	0	0	0	0.00%	0	0
Other:	18,746	0	30,823	30,823	100.00%	0	30,823
<b>Total Operating Expenses</b>	<b>115,458</b>	<b>46,338</b>	<b>175,716</b>	<b>129,378</b>	<b>279.20%</b>	<b>0</b>	<b>175,716</b>
<b>General and Administrative</b>							
Outside Professional Services:	64,851	55,624	28,553	(27,071)	(48.67%)	0	28,553
Insurance	107,801	97,518	87,682	(9,836)	(10.09%)	0	87,682
Office Supplies	7,665	8,121	23,841	15,720	193.57%	0	23,841
Postage	0	0	2,737	0	0.00%	0	0
Office Rent	0	0	8,041	8,041	100.00%	(8,041)	0
Travel	699	1,919	2,478	559	29.13%	0	2,478
Training	0	0	109	109	100.00%	0	109
Bad Debt Expense	19,976	0	0	0	0.00%	0	0
RCA Fees	0	0	0	0	0.00%	0	0
Other:	1,651	4,167	16,984	12,817	307.58%	0	16,984
<b>Total General and Administrative</b>	<b>202,643</b>	<b>167,349</b>	<b>170,425</b>	<b>3,076</b>	<b>1.84%</b>	<b>(8,041)</b>	<b>162,384</b>
<b>Other Revenue:</b>	<b>(40,000)</b>	<b>(34,832)</b>	<b>0</b>	<b>34,832</b>	<b>(100.00%)</b>	<b>0</b>	<b>0</b>
<b>Interest Expense</b>	<b>82,502</b>	<b>59,975</b>	<b>40,062</b>	<b>(19,913)</b>	<b>(33.20%)</b>	<b>(40,062)</b>	<b>0</b>
<b>Depreciation</b>	<b>184,488</b>	<b>203,373</b>	<b>149,957</b>	<b>(53,416)</b>	<b>(26.27%)</b>	<b>(3,032)</b>	<b>146,925</b>
<b>TOTAL</b>	<b>988,532</b>	<b>906,203</b>	<b>1,212,109</b>	<b>305,906</b>	<b>33.76%</b>	<b>(51,135)</b>	<b>1,160,974</b>
kWh Generated	7,614,569	6,982,583	6,586,208	(396,375)	(5.68%)	0	6,586,208
kWh Sold	7,149,524	6,424,954	5,917,919	(507,035)	(7.89%)	0	5,917,919
Gallons Consumed	495,439	461,951	444,142	(17,809)	(3.86%)	0	444,142
Efficiency	14.43	15.12	14.83	(0.29)	(1.89%)	0	14.83
Line Loss	6.11%	7.99%	10.15%	0.0216	27.06%	0	10.15%